



Chile: Water Treatment Equipment and Services

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Summary

Due to the Chilean government's efforts to regulate the industry, the Chilean market offers excellent opportunities for U.S. suppliers of water-treatment-related equipment and services. Public sector investment in water treatment is estimated at US\$555 million for the next 10 years.

Market Demand

The Chilean Government set 2006 as the target date for all wastewater to be treated and subjected to norms that regulate the discharge of industrial wastewater into the sewage systems, lakes, rivers and ocean. Current compliance estimates stand at: 77.5% for 2005, 98.8% for 2010 and 99.4% for year 2015. On September 3rd, 2006, decree 90 comes into force, setting a number of strict environmental regulations on industrial wastewater emissions. With this in mind, the Superintendence of Sanitary Services (SISS), the primary authority for regulating and supervising the sanitary sector as well as discharges of industrial liquid waste, required a total of 760 industries to submit characterization reports by end-2005 in order to have a complete catalogue of the wastewater situation in the country. According to the SISS, water-treatment systems used in Chile have evolved from stabilization lagoons in 1998 to aerated lagoons today, in order to increase treatment capacity and efficiency. Imported equipment accounts for approximately 20% of the total cost of water treatment plants.

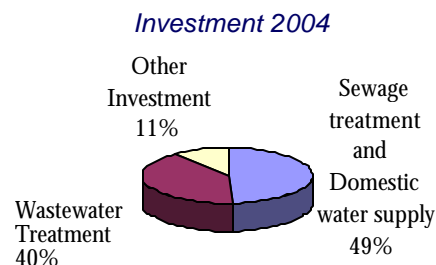
91.3% of the future investment will be divided as follows:

- Aguas Andinas - mainly in the construction of Los Nogales
- ESVAL - in the plant San Antonio
- Aguas Araucanía - building 16 wastewater treatment in Temuco, Algol and Villarrica among other places
- ESSBIO - in works in San Pedro, Hualqui and Coelemu

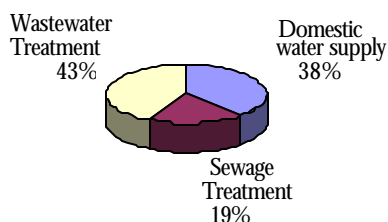
Aguas Andinas will invest approximately US\$ 300 million in the construction of 13 wastewater treatment plants that will serve 600,000 inhabitants of the Metropolitan Region (www.aguasandinas.cl.)

Market Data

The average consumption during 2004 was 20.2 m³ per client monthly or 195.8 liters/person/day. During 2004, the sanitary sector had 3.8 million clients. 19 main concessionary companies handled 99.4% of these clients. 22 smaller companies handled the rest. 94.3% are residential clients, 4.8% commercial, and the rest are industrial and other.



Investment 2005 - 2015



Investment in the Sanitary Sector US\$ million

2003 -- 2015	
2003	388.8
2004 -- 2005	405.4
2006 -- 2015	555.6
Total	1,349.8

Source: SISS 2004

Key Suppliers

Aguas Andinas, Chile's largest sanitary company represents 34% of the market. Additionally, U.S. technologies for water-treatment plants are well regarded in Chile, despite the fact that European companies dominate the sanitary sector. Some U.S. engineering and/or consultancy companies are either contracted by or associated with Chilean companies for the development of a specific project. U.S. companies have made headway in the supply of specific instruments such as laboratory equipment, water escape detectors and jet trucks.

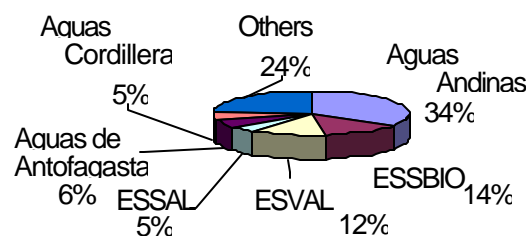
European firms dominate the private-sector investment in Chilean sanitary companies, which may result in a preference for European equipment and products if they equal U.S. products on quality and price. Local Chilean group Southern Cross investment fund bought in September 2005; German-UK group RWE Thames Water's stake which in the Chilean water utilities it controls – Essbio, Essel and Aguas Nuevo Sur Maule (ANS) - for an estimated US\$300 million. This makes Southern Cross the second largest company in the national water services market with a 19.5% stake. It is also estimated to generate some US\$149 million in annual revenues.

The Chilean Solari group, together with Spanish groups Acciona and Canal Isabel II, operate water concessions in Regions I, IX and XII through the holding Aguas Nuevas. Chile's largest sanitary company, Aguas Andinas, is owned by the consortium *Inversiones Aguas Metropolitanas*, in which the Agbar Group (Spain) and the Suez Group (France) each have a 50% share.

Sanitary Company Market Share (Revenue)

Prospective Buyers

- Wastewater treatment equipment and products
- Consulting and engineering services
- Water re-utilization systems for industrial and agricultural use
- Drinking water supply systems
- Consulting, design and engineering services for the construction of wastewater treatment plants, which include primary and secondary treatment, bio-solids processing and advanced treatment
- Collection and irrigation systems including underground piping systems, open flume irrigation channels, and water reservoirs.
- Drinking water supply systems for municipalities, industrial and tourism developments.
- Innovative water re-utilization and re-circulation systems for municipal and industrial applications (especially mining in the north of Chile).
- Pre-treatment technology for wastewater and sludge-processing equipment



Source: SISS 2004

Market Entry

It is very common in Chile for agents, representatives and distributors to sell to both private and government entities.

Modern procurement practices make extensive use of new information technology to increase effectiveness and efficiency of procurement operations and rely on the Internet to achieve transparency and increase competition among suppliers. The use of the Internet also supports the modernization of the international aspects of government procurement. Five years ago, and in order to increase transparency, enhance opportunities and reduce government procurement costs, the government of Chile created its procurement website www.chilecompra.cl which serves as a central source for all Chilean government procurement.

ChileCompra provides up-to-date information about goods and services required by the Chilean State and all procedures are documented online. The website enables free registration of suppliers. Registered suppliers receive notifications by e-mail whenever a purchase request or contract is published in connection with any of the areas for which the supplier is registered.

This government procurement portal offers online access to terms of reference and bidding specifications and also provides information about the bidding process and contracts awarded. Foreign and local bidders on government tenders must register with the Chilean *Dirección de Provisiónamiento del Estado* (Bureau of Government Procurement Supplies.) They must also post a bank and/or guarantee bond, usually equivalent to 10% of the total bid, to ensure compliance with specifications and delivery dates. Bidding is best done through a local agent who is registered, well connected and familiar with Chilean government bidding procedures.

Business practices in Chile are similar to those in the U.S. The distribution channels most commonly used in Chile are importers, commission agents, direct purchases, and subsidiary or branch offices. Due to the size of the local market, in order to make it a profitable business, agents, representative and distributors sell to both private and government entities. Appointment of a single, exclusive representative to cover the entire country can be beneficial, but should be studied on a case-by-case basis. Most trade and services in Chile are managed from Santiago (the capital city.) However, given the large distances, larger representatives often have branch offices in other regions. No special legislation governs distribution or agency agreements or terminations. U.S. companies are strongly encouraged to seek local legal counsel in drawing up an agency or distribution agreement.

A key factor in promoting and selling U.S. products is to appoint a good local agent or representative. This representative must be aggressive and well informed, and have good contacts in the environmental sector. All products sold in the local market should be labeled in Spanish, show country of origin and use the metric system for measurements. Promotional material should be in Spanish.

Market Issues & Obstacles

Chile has a remarkably free and open market that should remain so for the foreseeable future. Because Chile's economy depends greatly on international trade, foreign suppliers face few barriers. Preferential trade agreements have become an essential component in Chile's trade strategy. Since 1991, Chile has signed commercial agreements with Canada, Mexico, the European Union, South Korea, EFTA, New Zealand, Singapore, Brunei, China, India, and Japan. Chile is an associate member of MERCOSUR, the Southern Common Market comprised of Argentina, Brazil, Uruguay and Paraguay. Also, Chile joined the Asia-Pacific Economic Cooperation Organization (APEC) in an effort to boost commercial ties with the Asian market.

Resources & Key Contacts

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SISS (Chilean waterworks regulator): www.siss.cl

CONAMA (Environmental National Commission) www.conama.cl

For More Information

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